



Ernie Fletcher
Governor

Mark David Goss
Chairman

Teresa J. Hill, Secretary
Environmental and Public
Protection Cabinet

Commonwealth of Kentucky
**Environmental and Public Protection Cabinet
Public Service Commission**

John W. Clay
Commissioner

Timothy J. LeDonne
Commissioner
Department of Public Protection

211 Sower Blvd.
P.O. Box 615
Frankfort, Kentucky 40602-0615
Telephone: (502) 564-3940
Fax: (502) 564-3460

NEWS RELEASE

Contact:
Andrew Melnykovich
502-564-3940, ext. 208
502-330-5981 (cell)

PSC ACCEPTS SETTLEMENT IN ATMOS ENERGY GAS RATE CASE
Company receives half of original request

FRANKFORT, Ky. (July 31, 2007) – The Kentucky Public Service Commission (PSC) today accepted a settlement that grants Atmos Energy Corp. a 2.4 percent increase in annual revenue from natural gas base rates.

The amount of the increase is \$5.5 million - \$4.9 million less than the \$10.4 million that Atmos had requested.

Residential natural gas customers will see only one change in their bills – an increase in the monthly customer charge from \$7.50 to \$9.35.

The customer charge covers those costs of providing service that are independent of the amount of gas a customer uses. The settlement leaves the volume-based delivery charge unchanged.

The actual cost of the gas itself is, by federal law, unregulated and fluctuates with market conditions. The wholesale cost of natural gas is passed on to customers on a dollar-for-dollar basis, with no profit for the gas company. The wholesale cost of natural gas has nearly doubled since 2003.

At current gas costs, the \$1.85 change in the customer charge will increase the monthly gas bill for an average Atmos residential customer by less than 3 percent.

Atmos is one of five major local natural gas distribution companies in Kentucky. It serves about 173,000 customers in 38 counties in western and central Kentucky.

-more-

Under the settlement, which was negotiated by Atmos and the Kentucky Office of Attorney General, the new rates take effect Aug. 1. The PSC accepted the settlement in an order issued today.

Other aspects of the settlement include:

- Withdrawal by Atmos of a proposal to establish a mechanism that would adjust rates to maintain income if its customers use less natural gas.
- A resolution of a disagreement between Atmos and the Attorney General over how the company calculates depreciation of its facilities.

Atmos' last base rate increase was granted nearly eight years ago, in December 1999.

Today's order, as well as other case documents and videos of hearings in the case, can be found on the PSC Web site, which is psc.ky.gov. The case number is 2006-00464.

The PSC is an independent agency attached for administrative purposes to the Department of Public Protection in the Environmental and Public Protection Cabinet. It regulates more than 1,500 gas, water, sewer, electric and telecommunication utilities operating in the commonwealth of Kentucky and has approximately 110 employees.

-30-

RATE CHART FOLLOWS

ATMOS GAS RATES

All numbers based on an “average” customer using an average of 5,670 cubic feet of gas per month (68,000 cubic feet per year)

	As of 7-31-07	Rate requested by Atmos	Rate approved by PSC (in effect 8-1-07)
Customer charge	\$7.50	\$13.00	\$9.35
Gas delivery charge	\$6.75	\$5.16	\$6.75
Demand-side management charge	\$0.11	\$0.11	\$0.11
Research & development rider	\$0.02	\$0.02	\$0.02
TOTAL LOCAL SYSTEM CHARGES	\$14.38	\$18.29	\$16.23

WHOLESALE GAS COST PER MONTH (AS OF 8/1/07) - \$9.65 per 1,000 cubic feet